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**Congress of the United States  
House of Representatives**

Washington, DC 20515

**ZOE LOFGREN**

16TH DISTRICT, CALIFORNIA

December 23, 2011

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Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
Twentieth Street and Constitution Avenue NW  
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✓ Mary Schapiro, Chairman  
Securities and Exchange Commission  
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Martin Gruenberg, Acting Chairman  
Federal Deposit Insurance Corporation  
550 Seventeenth Street NW, Room 6076  
Washington, DC 20429

John Walsh, Acting Comptroller  
Office of the Comptroller of the Currency  
U.S. Department of the Treasury  
250 E Street SW, Room 9048  
Washington, DC 20219

Dear Chairs Bernanke, Schapiro, and Gruenberg and Acting Comptroller Walsh,

I write today regarding the proposed rule to implement Section 619 (“Volcker Rule”) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. While I support the implementation of the Volcker Rule, I have serious concerns should the final Rule encompass venture capital funds.

Venture capital investing is not the highly risky behavior that the Volcker Rule is intended to curtail. In fact, during a colloquy with Senator Boxer on July 15, 2010, Senator Dodd, a key architect of the Wall Street Reform Act, stated that:

The purpose of the Volcker rule is to eliminate excessive risk taking activities by banks and their affiliates while at the same time preserving safe, sound investment activities that serve the public interest. It prohibits proprietary trading and limits bank investment in hedge funds and private equity for that reason. **But properly conducted venture capital investment will not cause the harms at which the Volcker rule is directed.** In the

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event that properly conducted venture capital investment is excessively restricted by the provisions of section 619, I would expect the appropriate Federal regulators to exempt it using their authority under section 619(J). (emphasis added)

Venture capital funds are currently regulated under the “safety and soundness” standard. This regulation is well suited for venture capital funds, as they are discrete investments that do not create systemic risks within the financial services industry.

The collapse of the financial sector in 2008 made it very clear that stronger regulations are needed to rein in the predatory and risky behaviors. The regulations that we put in place, however, should address the actual risks, not artificial ones. As you finalize the regulations for the Volcker Rule, I urge you to consider the intent of the provision and make clear that venture capital funds are not constrained by the rule.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Zoe Lofgren', with a long horizontal flourish extending to the right.

Zoe Lofgren  
Member of Congress

ZL: et